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**To:** Banking Executive Accountability Regime; Ray Bortolussi  
**Subject:** Banking Executive Accountability Regime

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## **Banking Executive Accountability Regime - BEAR**

Thank you for the opportunity to provide feedback on the Banking Executive Accountability Regime Consultation paper.

By way of background, Cuscal is an ADI and Australia's leading provider of end-to-end payment solutions. Our extensive capabilities include card and acquiring products, mobile payments, fraud prevention, EFT switching and settlements. We also run the rediATM Scheme, one of Australia's largest ATM networks. Our website is <https://www.cuscalpayments.com.au>

Our clients have the highest expectations regarding the performance and governance of our operations, without our services our clients customers cannot transact.

The spirit of BEAR is to improve accountability through a sound risk culture, effective corporate governance and appropriate consequences. The regime recognises that leadership is key to driving cultural change, and provides many opportunities to empower people to do the right thing. The impact on ADIs and the extent of work required will vary depending on previous programs undertaken in this space and the nature and scale of the ADIs business. We are comfortable that APRA is well placed to undertake oversight and regulatory inspection of the proposed activities once the framework and legislation is settled.

For our part, we wished to comment on a few key items from the Consultation Paper;

### **Chapter 3 - Institutions to be covered by BEAR**

While the regime allows for a cascade of the framework, we believe it would be more useful to apply the framework based on systemic importance, so as to achieve a more uniform implementation.

We believe the framework should apply to Wealth, Insurance and Superannuation entities within an ADI and for that purpose (to achieve industry consistency) be applied across entities regulated by APRA, that do not fall within ownership of an ADI group.

### **Chapter 4 - Individuals to be covered by BEAR**

We (like many smaller ADIs) outsource the Internal Audit function - in our case to KPMG. The contract is with the firm not the individual.

We would assume that in these circumstances that Internal Audit is deemed an oversight role and therefore the remuneration deferral elements would not apply.

Secondly in relation to roles to be included, we think the role of General Counsel and also Chief Human Resources (or People Officer) should be included.

### **Chapter 5 - Expectations of ADIs and accountable persons under BEAR**

We would expect there to be further consultation on these elements to balance interpretations of accountabilities regarding conduct and behaviour.

### **Chapter 6 - Remuneration**

There is a risk that the introduction of mandatory 4 year deferral requirements will encourage a shift from variable to base pay. It is common for short term incentives (20-30% of base remuneration) to be offered in the industry to secure talent.

In the U.K. there has been a shift to higher fixed pay as a result of the UKSMR.

Increasing fixed pay increases the cost base of entities, who will look to pass these costs on to consumers.

We would recommend framing guidelines regarding fixed and incentive arrangements (including types of incentives) across a two or three year deferral mechanism. We believe it appropriate and for each entity to have their model annually approved by Shareholders and for APRA to oversee these arrangements through ongoing engagement and surveys.

Thank you again for the opportunity to comment. We look forward to further engagement and are happy to discuss the BEAR framework and forward steps at any opportunity.

Regards

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